

THE FUNDING DIALOGUE

1. Current status

The QCPR stresses the importance of core resources as the bedrock of the United Nations operational activities for development, the contribution of non-core resources to the overall resource base of United Nations operational activities for development as well as the importance of using inter-agency and agency specific pooled funds. Yet, the core budget of the United Nations development system has been rapidly decreasing in recent years and is now at less than 22 per cent of the total contributions received. In addition, 91 per cent of all non-core flows allocated to single entity projects and only 6 per cent channelled through inter-agency pooled funds.

The QCPR recognizes that the integrated nature of the 2030 Agenda for Sustainable Development requires a more sustainable funding approach. The current status of the UNDS funding base results instead in a highly fragmented system, with an obvious impact on its effectiveness and on its capacity to both collaborate and to deliver in the most efficient manner. In order to enable the United Nations development system to work at all levels in a coherent, coordinated and integrated manner, while also reducing duplication and increasing impact, more adequate quantity and quality of funding is needed. Current funding practices need to improve to make funding more predictable, flexible, effective and efficient, less earmarked and better aligned with the national priorities and plans of programme countries, as reflected in the United Nations Development Assistance Framework, or equivalent planning framework.

2. The Secretary-General's proposal for a Funding Compact

In order to offer a solution to the current situation, and building on the 2016 QCPR, the Secretary General proposed in his December report on the repositioning of the UN development system to establish a Funding Compact between Member States and the UN development system. Built around the principle of mutual commitment, the Funding Compact aims to increase the level, quality and predictability of funding by Member States in return for increased transparency of expenditures and accountability for results.

More specifically, the Funding Compact is proposed with the following concrete targets, timelines and parameters:

SG's ask: Over the next 5 years:

- (i) Increase share of core resources across the system from 21.7% to 30%;
- (ii) Double contributions to inter-agency pooled funds (from 8% non-core to 16% of non-core) and increase agency-specific thematic funds from \$400 to \$800 million;
- (iii) Fund the RC system through assessed budget (\$255 million, and discretionary coordination fund for RCs at \$35 million).
- (iv) Fully capitalize the new Joint Fund for Agenda 2030 at \$290 million per annum
- (v) Ensure a quantum leap in funding to PBF.

SG's commitment: Increased accountability and transparency through:

- (i) Annual reporting on system-wide support to the SDGs, both at country level and to the ECOSOC;
- (ii) System-wide enrolment into the International Aid Transparency Initiative (IATI), and full compliance with international transparency standards;
- (iii) Independent system-wide evaluations for credible assessment of results;
- (iv) UNDS entities to commit to allocating at least 15% of non-core resources to pooled funds/joint activities;
- (v) Easier access to financial data on resources entrusted to the system;
- (vi) Enhanced visibility of Member States contributions to core and pooled funds.

3. The Secretary-General's proposal for a Funding Dialogue

The Funding Dialogue, as proposed by the Secretary-General, is meant to provide space for operationalizing the Funding Compact, upon a decision by Member States on its proposed parameters and specific targets above. The Dialogue will provide a platform to identify specific steps needed to fully implement the Funding Compact, and to periodically review progress towards mutual commitments within the Compact.

For the Funding Compact to serve as a mutually agreed framework that positively impacts the future funding of the UN development system commitments, targets and indicators within the Funding Compact have to be mutually agreed by Member States and UN entities. In this regard, the asks and commitments proposed by the Secretary General are to be seen as building blocks around which to structure and ensure progress in a continuous dialogue with Member States.

4. Objectives of the Funding Dialogue

The objectives of the Funding Dialogue between Member States and the UN development system include the following:

- Provide a clear overview of the UN development system funding, the implications of funding allocations and shortfalls in resources to address Member States priorities.
- Discuss and agree on further incentives for the Member States and the UN development system to shift funding and accountability practices as part of the Funding Compact
- Develop and agree on specific, measurable and timebound indicators to measure the implementation of commitments and targets agreed in the Funding Compact.
- Identify measures and processes to regularly monitor and review progress against set targets and indicators, address bottlenecks in implementation and identify solutions and corrective measures.
- The objective of the first meeting of the Funding Dialogue will also be to define the format, frequency, duration and expected outcome of future Funding Dialogue.

The Funding Dialogue is not meant to be a pledging conference, but rather a focused, results-oriented conversation between Member States and the UN development system ultimately meant to lead to a better resourced UNDS within the frame of the Funding Compact.

5. Guiding principles

- The Funding Dialogue will be underpinned by the key principles embedded in the 2016 QCPR and reiterated in the Secretary General's December report, namely predictability, flexibility, effectiveness and efficiency of funding, as well as transparency and accountability.
- The Funding Dialogue will be distinct from entity-specific resource mobilization and other broader SDG financing discussions in the Financing for Development context (while entity-specific funding dialogues have been more common in recent years, a Funding Dialogue that covers the UN development system as a whole is a new platform).
- The Funding Dialogue will take a results-based approach limiting its focus to the content of the Funding Compact.
- The outcomes of the Funding Dialogue will be anchored within UNDS entities through follow-up by governing boards and inclusion in Strategic Plans or other corporate planning instruments.

6. Format, participants, timeframe

The concrete format and duration of the Funding Dialogue is to be determined through consultations with Member States. The Dialogue however will need to remain light, manageable and cost-efficient.

It will need to be conducted through an open and transparent process, with the engagement and ownership of all Member States, represented at senior level, including from capitals. It will be led by the Deputy Secretary-General, as UNSDG Chair, with the support of the UN development system.

The process to initiate the Funding Dialogue will be launched as soon as Member States have concluded negotiations around a repositioned UN development system.